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Economic Development and Environmental Issues in Asia: Focusing on Official Development Aid

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INTRODUCTION

Japan has been increasing the amount of its official development assistance (ODA) at an exceptionally rapid pace. Since the introduction of the First Medium-Term Target in 1978, the total amount has doubled every term. The recipients have also diversified, but geographical distribution has not changed markedly. The share of Asian countries is still at a dominant level in every division of the ODA scheme.

The emphasis on Asia has been a tacit principle in Japanese economic cooperation. Japan's government has avoided stating this in consideration of recipients' sentiments, and to avoid arousing suspicion. Until the 1980s the government continued to stake out an ambiguous position in providing ODA, but the current world economic situation no longer allows this.

As a minor member of donor community, Japan was able to assume a subordinate status and moderate stance compared with other donors. Japan's heteronomous attitude toward urgent or unfamiliar issues reflected such behavior. Japanese performance should be regarded from this point of view. ODA, or foreign aid in general, is perhaps still a new policy area for the Japanese government in spite of its commitment. ODA in the environmental field in particular is a frontier area, and therefore a big challenge for Japan.

This paper briefly describes Japanese ODA performance to date, with due consideration to the Asian region. It then examines the rationale of environmental cooperation and follows its development. Dual aspects of environmental projects are shown to be a key for dealing with Environmental ODA. Finally, the overall target of Japanese ODA is reconsidered in order to examine the possibility of Japanese initiatives in the environmental field.

Table 1 Environmental ODA in Various Forms

(¥100 million)

<i>Year</i>	<i>Grant aid</i>	<i>Loan aid</i>	<i>Technical cooperation</i>	<i>Multilateral cooperation</i>	<i>Total</i>
1987	252.2	321.1	62.1	14.0	649
1988	206.2	851.9	81.1	14.0	1,153
1989	227.4	920.2	100.3	46.0	1,294
1990	228.4	1,243.8	132.4	49.2	1,654
1991	241.5	666.6	141.2	77.5	1,127
1992	310.6	2,212.5	163.7	105.7	2,793
1993	377.1	1,526.5	214.1	162.0	2,280

Source: Ministry of Foreign Affairs.

I. PERFORMANCE OF JAPANESE ODA

1. Historical Background of the Emphasis on Asia

a. General overview

Japan's emphasis on Asia has been a notable feature of its foreign relations overall. We find an emotional commitment to Asia among the Japanese people, which might have resulted in policies that emphasize the region. Though Japanese sentiment toward Asia has been an ambivalent one, it has been one of the basic attitudes that characterize the way in which Japan has regarded foreign policy since the Meiji Era.

This observation is valid also with regard to Japan's ODA program. The pattern of aid concentration in Asia remained throughout the 1960s and the early 1970s. In 1971, 98.4% of Japanese aid went to Asia. The following year, the figure dropped to 88.1%, and by the late 1970s the percentage of Japanese ODA provided to the region stabilized between 65 and 70%. As a result, this performance gave rise to a 7:1:1:1 regional distribution, with the proportions assigned being 70% for Asia, and 10% each for Latin America, the Middle East, and Africa.

b. Motives for ODA distribution

The regional preference for Japan's ODA is not necessarily an unusual phenomenon among major members of the donor community. For example, the UK disburses 70% of its ODA to Commonwealth countries, while France earmarks about 90% of its assistance for its foreign prefectures, territories, and former colonies. In the 1980s the U.S. extended about 40% of its ODA to two certain countries, Israel and Egypt.

In contrast to these donor countries, Japan has been making efforts to keep its ODA from becoming strategy-oriented. Given Japan's experience in the Second World War and the sensitivity of Asian people to such a notion for the region, the term "strategy" has never been employed by the Japanese government publicly.

As the total amount of aid increased, Japan was required to manifest its basic philosophy and principles on ODA. Though the Japanese government continuously advocated its position in the international community, very few things were known about its ODA performance, especially among recipients. Even in donor groups like the OECD's Development Assistance Committee (DAC), Japan has been regarded as a "silent" member.

c. ODA Charter

At the end of the Fourth Medium-Term Target period, which covered the five-year term from 1988 to 1992, the Japanese government started to elaborate a certain official position on its ODA performance. After several months of consultation among ministries and agencies, Japan's ODA Charter was finalized and released in June 1992.

The Charter is organized in a simple manner, and comprises the following six sections:

- (1) Basic Philosophy
- (2) Principles
- (3) Priorities
- (4) Measures for Effective ODA Implementation
- (5) Measures to Promote Understanding and Support at Home and Abroad
- (6) The ODA Implementation System

Among the priorities given in Section 2, a remarkable item is (1) Regions. The full text of this item is cited below.

"Historically, geographically, politically, and economically, Asia is a region close to Japan. East Asian countries, especially, members of the Association of South East Asian Nations (ASEAN), constitute one of the most economically dynamic regions in the world, and it is important for the world economy as a whole to sustain and promote the economic development of these countries. There are, however, some Asian countries where large segments of the population still suffer from poverty. Asia, therefore, will continue to be a priority region for Japan's ODA."

It is often said that Japan has tended to focus less attention on the poorest countries (or least among less developed countries: LLDCs) with long-term growth problems. The following paragraph of the Charter, though referring to the poverty and economic difficulties of other regions, confirms such criticism and the extraordinary emphasis on Asia.

"Japan will therefore extend cooperation, befitting its position in the world, to Africa, the Middle East, Central and South America, Eastern Europe, and Oceania. Due consideration will be paid in particular to the least developed countries (LDCs)."

2. Observations

a. The general trend

Japan is a dominant source of official development assistance (ODA) for developing Asian countries. The total amount of ODA from Japan rivals that of the U.S., and the dollar amount continues to grow at a fairly rapid pace. According to OECD data, total Japanese ODA grew at a 5.7% average annual rate from 1982 to 1987, while that of the United States grew at only a 2.2% rate.

Of Japanese ODA disbursed bilaterally, the largest amount continues to go to Asia, though the share has declined gradually as Japan has added other, non-Asian countries to the list of recipients. As of 1992, the share of Japan's bilateral ODA destined for Asia (including South Asia by definition) was 65.1%.

Table 2 Sectoral Distribution of Environmental ODA

(¥100 million)

Year	1987	1988	1989	1990	1991	1992	1993
Residential environment	226 (34.8%)	795 (69.0%)	603 (46.6%)	432 (26.1%)	605 (53.7%)	1,633 (58.2%)	1,374 (60.3%)
Forestry conservation	60 (9.2%)	156 (13.5%)	76 (5.4%)	127 (7.7%)	158 (14.0%)	180 (6.4%)	169 (7.4%)
Pollution control	85 (13.1%)	0 (0.0%)	73 (5.6%)	741 (44.8%)	51 (4.5%)	302 (10.8%)	391 (17.2%)
Disaster prevention	172 (26.5%)	89 (7.7%)	336 (26.0%)	156 (9.5%)	196 (17.4%)	546 (19.5%)	136 (6.0%)
Others	26 (4.0%)	18 (1.6%)	202 (15.6%)	196 (11.9%)	39 (3.5%)	37 (1.3%)	48 (2.0%)

Note: 'Others' includes natural environment, environmental administration, marine pollution, etc.

Source: Ministry of Foreign Affairs.

b. China

Among recipient countries of Japanese ODA, China was the second largest (after Indonesia) in 1992, and its share of bilateral assistance amounted to over 12%. Especially in the form of official loans, it amounted to over 17%.

Economic cooperation with China dates back before 1949. Japan's interest in extending aid to China combines many factors such as historical ties, cultural affinities, and geographical proximity. However, Japan had been only a minor donor until the early 1970s. Its first pledges of economic assistance came during the administration of Prime Minister Masayoshi Ohira.

With the provision of the first yen loan package to China in 1979, both governments established two precedents. First, it was Japan's initial multi-year commitment to extend ODA. Second, it was the first time that China had decided to accept assistance from a DAC member country.

In spite of several hitches that have impeded the aid program to China, Japanese ODA has been increasing since that time. An overwhelmingly large share of ODA was supplied in the form of official loans in the 1980s, but ODA for technical assistance increased remarkably after 1990.

c. ASEAN

Both the government and the private sector regard ASEAN countries as vital to Japan's political and economic interests in Asia. Each of the ASEAN countries receives over half of its bilateral ODA from Japan. This amount is outstanding funds from multilateral organizations. Beyond historical and cultural ties, economic and other interests might be also factored into Japan's regional equation.

A consensus in the Japanese government regards the ASEAN countries (with the exception of Singapore and Brunei) as *Nenji Kyoyokoku*, or countries that automatically receive a certain amount of ODA. It is a kind of built-in foreign assistance mechanism. Furthermore, recipient countries can implement their own programs with constant financial flows.

As a result, Indonesia, the Philippines, Thailand, and Malaysia continue to receive high levels of bilateral assistance consistently. Though Malaysia and Thailand have almost attained the development level of at which they no longer get ODA, the ASEAN Four still had their places on the list of the top 10 recipients of Japanese ODA in 1992.

d. New advances in Japanese ODA

Japan's Prime Minister Zenko Suzuki promised, during his 1981 tour of ASEAN states, to construct five technical training centers throughout the ASEAN area tailored to meet the basic needs of each country. The so-called Suzuki Doctrine put emphasis on increasing the basic human needs content of Japanese ODA, as well as strengthening technical training programs in a variety of sectors.

Several years later, during a January 1987 visit to Indonesia, Minister of International Trade and Industry Hajime Tamura announced "The New Asian Industries Development Plan (New AID Plan)." This is a comprehensive aid program aiming at support for economic development through the industrialization of Asian countries. The plan's basic concept involves the effective linkage of numerous measures such as Japan's technical assistance, financial aid, investment, and the promotion of imports to Japan. Implementation of the plan can be divided into three phases as shown below.

- Phase 1: Formulation of a master plan
- Phase 2: Formulation of individual programs
- Phase 3: Assistance for implementation of programs

II. PERFORMANCE OF JAPANESE ENVIRONMENTAL ODA

1. Transfer of Technology and Know-how

During the 1960s and 1970s Japan had experienced serious pollution incidents, which were overcome. This was achieved through various efforts. Local governments introduced the strictest environmental standards, and the private sector developed effective environmental technologies to meet those standards. This brought about substantial improvements in the environmental situation, which had been quite serious. Present Japanese environmental performance is as good as that of other advanced economies. On the basis of such experiences, the Japanese government made some important decisions concerning the environment. One of them was the "Action Program to Arrest Global Warming," announced officially in October 1990. This program disclosed the government's goal of stabilizing per capita CO₂ emissions at the 1990 level.

The Japanese government is also making efforts to observe various international agreements including the Montreal Protocol and the Basel Convention on Hazardous Wastes. Through these efforts to overcome various environmental problems Japan was able to build a store of the most advanced technologies and know-how for controlling pollution. These are effective in implementing environmentally-related foreign assistance.

2. Present Level of Environmentally-related Japanese ODA

a. Environmental ODA

The Japanese government has shown by its attitude that Japan's ODA also puts emphasis on environmental issues. At the United Nations Conference on Environment and Development (UNCED) in 1992 Japan stated its environmental ODA goal of ¥300 billion in a three-year period between 1989 and 1991. During this period Japan disbursed over ¥400 billion, which far exceeded the pledge.

Also at the UNCED Japan announced its goal to provide environmental ODA amounting to between ¥900 billion and ¥1 trillion during a five-year period starting from the fiscal year 1992.

As for multilateral assistance, Japan has been contributing ODA to such international organizations as UNEP (\$7.1 million in 1991), ITTO (\$9.6 million), FAO, and CGIAR. Also, a certain proportion of its contributions to the World Bank and regional development banks are directed to their environment funds. Other than these conventional schemes, Japan has increased contributions to new international arrangements like the Multilateral Fund of the Montreal Protocol for protection of the ozone layer, the Brazilian Tropical Rainforest Fund under the pilot program for the conservation of the Brazilian rainforests, and so on.

b. Official statements on environmental ODA

At the UNCED in 1992, the Japanese government for the first time announced its basic thinking on environmental assistance policy. It put emphasis on positive attitudes toward cooperation with developing countries in the fields of tropical forest conservation and capacity building. At the end of a targeted period of three years (1989-1991), the government renewed its policy and announced it as Japan's new environmental ODA policy on the occasion of the 1991 London Summit. The new policy illustrated the government's fundamental thinking on global environmental problems that are to be tackled in collaboration with developing countries. It also stressed support for each developing country's own efforts at environmental conservation through the use of Japanese technology and Japan's experiences in overcoming pollution and other environmental problems without sacrificing economic growth.

As a means of providing effective assistance, the policy emphasized creating an efficient combination of various ODA schemes so that aid is tailored to the economic conditions of each recipient country. Poverty and population problems are also seen as being closely related to environmental problems. Forestry conservation and afforestation, energy conservation and clean energy technology, pollution control, wildlife conservation, and soil conservation are listed as targeted fields, and the importance of environmental capacity-building is specifically mentioned in the new policy.

Finally, the policy calls for the further implementation of environmental impact assessments (EIAs) and the completion of environmental guidelines in each field, which are considered to be measures for strengthening consideration for the environment on the Japanese side.

c. Environmental ODA schemes

Japan is committed to various types of assistance for the purpose of environmental conservation. Some typical schemes are shown below.

Grant aid means financial assistance extended to recipients without obligation for repayment. Such aid is used for the construction of environmental conservation centers in Thailand, China, and Indonesia. Under this scheme, the centers are expected to become focal points of research and technology transfer for developing remedial measures and analyzing data in the environmental field.

Under technical cooperation, which aims to develop human resources in recipient countries, technical support for wildlife protection programs have been continued in some African countries. Under this scheme, many experts are dispatched to carry out development surveys in the fields of forestry, water resources, and energy-related problems.

Under loan aid, which consists in direct loans by the Overseas Economic Cooperation Fund (OECF), and is often known as "yen loans," the Japanese government made a special arrangement for the environmental field. Ordinary yen loans have criteria for recipient countries based on their economic conditions, so middle income countries (with per capita GNPs of over \$2,465 in 1990) were not eligible. In view of the importance of this field, however, the Japanese government eased the criteria and approved yen loans even for higher income countries like Mexico (1990), Brazil (1992), and Argentina (1993). This resulted in a substantial increase in the share of loan assistance in environmental ODA.

d. Implementation of environmental ODA

The agencies that implement Japanese ODA have been trying to strengthen environmental considerations for their projects in parallel with governmental efforts at environmental cooperation. Following a series of OECD recommendations, these agencies started institutionalizing their environmental assessments, and created procedures and organizations.

The Overseas Economic Cooperation Fund (OECF), for example, established a staff position called "Environmental Issues Specialist" in 1988, and set up its Environmental Committee in 1989. In the same year the OECF released its OECF Environmental Guidelines, which consist mainly of environmental checklists (for 16 major sectors).

The Japan International Cooperation Agency (JICA) is also making similar efforts. JICA organized a research group on Aid in the Environmental Field in 1988, and set up the Environmental Section the next year. JICA established sectoral guidelines for the purpose of environmental considerations on their projects.

3. Several Problems Related to Environmental ODA

a. Definition of the environment

There is little information about the definition of environmental aid even among DAC member countries. Some countries are applying (U.S., Canada) or trying to reorganize (Germany) working definitions, but others (U.K., France) have none.

The Japanese definition is also tentative, and there is some vagueness in each sub-category. Six of them are shown below.

- (1) Environment/public pollution
- (2) Waterworks/drainage (sewerage)
- (3) Sanitary facilities for public health
- (4) Water resource development
- (5) Afforestation/forestry conservation
- (6) Disaster prevention

In reference to the sectoral distribution of environmental ODA, the Japanese government established the following five sub-sectors for announcing the annual total to the public:

- (1) Residential environment
- (2) Forest conservation
- (3) Remedial measures for pollution
- (4) Disaster prevention
- (5) Other

Sub-sector 5 includes "the natural environment," "environmental administration," "marine pollution," and others. The total amount of ODA for each sub-sector is calculated by the Ministry of Foreign Affairs in accordance with certain procedures. However, official reports do not disclose any specific details.

A look at the calculation of environmental ODA reveals some ambiguity. "Environmental" projects included in the sub-categories are not necessarily projects focusing primarily on improved environmental management. Quite a few of them are supposedly projects with environmental components.

It would be possible to count certain projects among environmental projects if they have positive effects on environmental management. We must distinguish such environment-integrated projects from so-called environment-specific ones.

b. Characteristics of environmental projects

The World Bank has been making a clear distinction between two types of projects. Nineteen of 222 projects approved in fiscal 1992 were those focusing primarily on the environment. If a project's environment-related cost (or benefit) of one project exceeds 50%, the project is categorized as an environmental one. For example, the Bank approved three environmental projects for China in the same year. First is the urban development and environmental project that is to improve the infrastructure and environment in Tianjin, China's third-largest city. The second project is to assist Beijing in planning a cost-effective strategy for a comprehensive environmental protection program. The third one is to reduce ship waste disposal to prevent the pollution of international waters.

On the other hand, there were 43 projects with environmental components, and those approved in the Asia-Pacific region numbered 16. About 40% of them were in the agriculture, forestry, and natural resources sector, and nearly one-third were in the energy sector. The Korean energy sector project is a typical one. It would substitute natural gas for coal and heavy fuel oil, which are the causes of SO_x emissions.

From this point of view it seems that a major portion of Japanese Environmental ODA is composed of environment-integrated projects. To say the least, projects with environmental components still dominate Japanese bilateral ODA.

III. JAPAN'S ROLE IN THE POST-UNCED ERA

1. The General Direction Thus Far

Despite persistent concern for and constant effort on environmental issues, the Japanese contribution in this field is not necessarily an exceptionally good one. Both the central and local governments had been busily occupied in mitigating domestic difficulties. Owing to the 1972

United Nations Conference on the Human Environment, which served as a turning point, the 1970s was a decade when the Japanese people gained a shared global consciousness, and the Japanese government moved slowly into a mood of action. However the occurrence of the oil crisis demolished this atmosphere, and Japan again concentrated its energy on domestic affairs.

The situation changed in the latter half of 1980s. The new economic environment created specifically by the Plaza Accord didn't allow Japan to behave passively as before. The Japanese government was required to take substantial action in the area of economic cooperation.

A 1987 governmental decision called Emergent Economic Countermeasures was the first of a series of responses. This decision included accelerated implementation of the Third Medium-Term Target for ODA, which had originally been scheduled for the five years from 1986 to 1992; this term was now shortened by two years. In addition, the Japanese government made pledges for *shikin kanryu*, or "recycling funds" to developing countries, which amounted to \$20 billion; non-project grant aid for LLDCs amounting to \$500 million; and new kinds of technical cooperation schemes.

The main purpose is to impress the world with Japan's strong will to contribute to the international community by implementing substantial measures. Program formulation of Medium-Term targets is also supposed to be an action that is symbolic of a decisive and coherent ODA policy. But it is no doubt possible that such unilateral measures will be regarded as mere posturing or a pretext. And in actuality there has been financial bias.

2. Technological Perspectives

Gradually the Japanese government appears to be putting emphasis on the technological aspects of environmental issues. Further, the ODA Charter observes that Japan stresses the importance of cooperation between developed and developing countries in tackling problems.

The Charter treats this point as one of the measures for effective ODA implementation. The specific paragraph is as follows.

"In implementing Environmental ODA, Japan will make the best use of the technology and know-how that it has acquired in the process of successfully making environmental conservation compatible with economic development."

This awareness is common in both government and the private sector. The government therefore proposes to transfer and develop technologies that are suited to the recipient countries' levels of development, which is to be done through collaborative efforts between government and the private sector.

Some of the new ODA schemes are based on the idea of, and especially put emphasis on, such joint efforts. A good example of this is the Green Aid Plan.

This plan was proposed by the Ministry of International Trade and Industry in August 1991. It provides comprehensive support for developing countries in accordance with the recipient countries' needs and conditions. The major objective of the plan is to improve recipient countries' energy and environmental conditions through the use of Japanese know-how. The scheme itself is quite similar to the New Asian Industrial Development Plan (the New AID Plan). After an extensive policy dialogue, Japan and the recipient initiate cooperative measures for improvements.

3. Initiatives in the Asia-Pacific Region

Over 18 months have passed since the United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro. It is said that we must maintain the UNCED momentum and begin implementing agreements, especially Agenda 21. Both developed and developing countries are drawing up their national action plans and showing positive attitudes.

In Asia there have been few occasions to conduct dialogues and to cooperate on environmental issues as a region. An ESCAP subcommittee has been examining regional strategies and related matters, but this has been far from satisfactory in terms of frequency and coverage. With the objective of fostering such dialogue, the Japanese government held the Environment Congress for Asia and the Pacific (ECO ASIA '91) in July 1991.

Following UNCED, many Asian countries are supposed to implement effective measures in various fields, and the region needs further promotion of regional cooperation. In order to consider a strategy for regional environmental cooperation in the post-UNCED era, ECO ASIA '93 was held in June/July 1993, with the following objectives:

- (1) To provide for better understanding of the present state and future outlook on the environment and development in Asia and the Pacific
- (2) To assess the progress made thus far, one year after UNCED
- (3) To examine possible ways and means to foster regional cooperation, including high-level meetings at regular intervals

Such initiatives would be indispensable for building common perspectives and for exchanging views among countries in the region. Japan should support and enact initiatives to advance such occasions.

CONCLUSION

The Japanese government articulated the basic thinking behind its ODA in the form of a charter. It affirms that Japan will continue to emphasize Asia, and to cover broad issues including global problems. Environmental problems constitute one of the priority issues, and in various fora Japan has indicated that it intends to support developing countries' efforts to overcome these problems.

Environmental ODA has been increasing since Japan's government made a target pledge. But in terms of content, environmental projects implemented under ODA schemes have not necessarily been satisfactory. Most of the projects are not environment-specific, and they are not planned for the purpose of environmental conservation (or management); they are merely counted as environmental ODA because of their environmental components.

Through efforts at diversifying its ODA scheme and tools, the Japanese government has been looking for measures that are suited to the present situations of recipient countries. Considering the international situation in which Japan finds itself, it must take the initiative in this field as a forerunner of technological development.

The Asian region has more than half of the world's total population, and it has achieved remarkable development so far. But there are still various environmental problems,

and remedial measures are still in progress. It is therefore imperative to address and tackle those problems collectively. Region-wide cooperation must be promoted, and Japan's role in this respect is to build the framework for that cooperation.

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